

KNUT IMS

Norwegian School of Economics and Business Administration

OVE JAKOBSEN

Bodo Graduate School of Business

Consumerism and Frugality: Contradictory Principles in Economics?*

Western economies grew as much in percentage in the twenty years between 1950 and 1970 as they had done in the thousand years between 500 and 1500. Today the growth of world GDP exceeds 3 percent annually, and many researchers within different fields of science agree with Pearce, who asserts that 'the man-made bacterium that threatens the life of the planet is the growth imperative at the heart of modern economics' (Pearce 2001, p.26). Consumerism is an important mantra which suits 'mainstream' economics well.

The huge growth in production and consumption over the last decades has actualized the following challenges. First, many local, regional and global environmental and societal problems are connected to an oversized economy. Second, the global economy is characterized by unfair distribution of resources and goods both between different countries and within countries. Third, the production of *waste*, both from industry and from households is growing faster than ever. Fourth, the technical capabilities at our disposition in the

* The names of the authors are alphabetically listed. The paper is a result of organic co-operation between the authors. The authors would like to thank Luk Bouckhaert, Hendrik Opdebeeck and Laszlo Zsolnai for the inspiration to write this chapter as well as for their constructive comments on an earlier draft of this paper.

West have an inclination to manifestation. The surplus capabilities of man lead to an ever-increasing production of means, even when material needs are satisfied (Zapffe, 1996).

To manage these vital questions it is not enough to adopt changes at a system level, such as through more restrictive laws and rules. In addition to external political regulation, we argue that it is necessary to change attitudes and values from inside. In order to attain a sustainable scale of production and consumption, fair distribution of resources and wealth, and efficient resource allocation, it is necessary to rethink economy within a worldview characterized by integration, dynamics and holism.

We argue that frugality represents an interesting gateway to meet these challenges, presupposing a context in which sustainability and life quality are the overriding goals. Within the context of 'mainstream' economics, which gives priority to economic growth, frugality represents a problem; in fact it can even be seen as a threat. To illuminate and illustrate our arguments we will concentrate, in the next paragraphs, on a comparison between mechanical and organic worldviews on the one hand, and consumerism and frugality on the other.

A Question of Different Worldviews

To support our ideas and understanding of the two different worldviews, we have chosen Whitehead's 'philosophy of organism.' We agree with Whitehead, who argues that all human thought has categorical schemes as an underlying presupposition. Although 'categorical schemes' are often unconscious, they represent a fundamental condition for understanding the world we live in. Just like Kuhn's paradigms, the categorical schemes are of great importance in shaping actual concepts, hypotheses, and theories in different scientific

disciplines. A consequence of this reasoning is that the underlying worldview influences our theoretical understanding and our practical action.

Whitehead's position corresponds with the arguments of Heidegger and Taylor, when they explain the success of the mechanical worldview by referring to the separation between 'the physical world' and 'the life world.' We find a parallel to this bifurcation in Greek antique society with Aristotle opposing Democritus' atomistic theory. The atomists thought that everything in existence is composed of atoms and space, and that all the different objects consist simply of different collections of atoms in space. Aristotle saw the true essence of any object as consisting not in the matter from which it is made, but in the organic function it performs.

The fallacy of bifurcation is deeply rooted in European philosophy from the beginning of the seventeenth century. Combined with the ideas characterizing the mechanical paradigm, human beings have no experience of the intrinsic value of life and they perceive their actions as more or less meaningless. It follows that modern society finds itself in a state of decline. In our context the decline is exemplified by the expanding ecological and social crises connected to the growth ideology characterizing mainstream economics.

The Mechanical Worldview

The mechanical worldview presupposes that physical matter in its movements is reality, and that everything can be explained in terms of physical laws. In other words, mechanism is a worldview claiming that physical matter is reality, complete and total. This theory is in accordance with Democritus' statement, 2,500 years ago, that everything in the universe can be explained in terms of imposed physical laws:

It became natural, to conceive of the world as made up of discrete components, which fit together like the parts of a machine. The behaviour of atoms was conceived as tiny bouncing balls whose behaviour could be predicted, as could the behaviour of more complex objects assembled from them (Derfer in Xie, Wang and Derfer 2005, p.87).

One of the most important consequences of the mechanical worldview is that the whole universe became completely causal and deterministic. 'All that happened had a definite cause and gave rise to a definite effect, and that the future of any part of the system could – in principle – be predicted with absolute certainty if its state at any time was known in detail' (Capra 1997, p.120). This doctrine of nature as a self-sufficient, meaningless complex of facts is central to the mechanical paradigm. A consequence of this perspective is that 'dead' nature can provide no reasons, and it aims at nothing.

Bergson drew a similar demarcation between the 'dynamic' and the 'static' perspectives. 'True change can only be explained by true duration; it involves an interpenetration of past and present, not a mathematical succession of static states. This is what is called a 'dynamic' instead of a 'static' view of the world' (Russell 1979, p.763).

Science based on the mechanical perspective is characterized by the idea that bits of matter are isolated individuals (atomism), related to one another purely externally. Through natural laws, society represents no real unity in itself. Society is nothing more than a mere mechanism based on the interplay between egocentric individuals seeking their own ends.

Today, the mechanical worldview still forms the basis of many scientific disciplines, including economics. In lifeless nature, problems can be solved within the framework of physical laws. It is, at least in principle, possible to arrive at unambiguous solutions to these kinds of convergent problems. Schumacher argues that convergent problems have nothing to do with self-consciousness or life functions. According to Georgescu-Roegen (1971) and Daly and Cobb Jr. (1994), this assertion still holds validity for modern mainstream economics.

“Mainstream’ economic theory builds on the mechanical pre-suppositions in which all questions converge into certain solutions. Inspired by this metaphor, agents in the market are supposed to act independently of one another, in order to optimize their own interests. Market theory presupposes that economic agents act autonomously in most market transactions. The assumption that economic rationality largely excludes other-regarding behavior has deep roots in Western theoretical understanding of human nature. Another pre-supposition is that the dominating value in economics is ‘profit.’ Today there is expanding pressure for higher short-term sales rates and profit maximization. This is justified by economists such as Friedman, who argues that ‘few trends could so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of social responsibility other than to make as much money for their stockholders as possible’ (Friedman 1963, p.133).

Consumerism

In our context, we refer to consumerism as the idea that growth in production and consumption of goods and services are important driving forces in sound economic development. As an illustration, growth in GNP is one of the most important goals of the World Bank. A consequence of these attitudes is that little attention is paid to the true needs of the consumers, durability of the products, product origin or the environmental consequences of manufacture and disposal. Huge amounts of money and much entrepreneurial talent are (mis) used on advertising designed to increase the sales of all kinds of products and to create a desire to follow trends. An intended consequence of this is to discard what might give an image of being old, recycled or second-hand products because products with such characteristics are out of fashion.

Consumerism interferes with the workings of society by replacing the normal commonsense desire for an adequate supply of life's necessities, community life, a stable family and healthy relationships with an artificial, ongoing and insatiable quest for things and the money to buy them, with little regard for the true utility of what is bought. At aggregate-level economic growth is determined by the rate of utilization of the factors of production – capital and labor – and the efficiency of their use. In mainstream economics, growth is described as an important goal connected to the economy's ability to provide increasing levels of standard of living to its population. A negative consequence of this development is that consumerism can lead to a more materialistic-oriented society.

The Organic Worldview

The philosophy of organism constitutes an alternative worldview, based on a holistic perspective and inherent values. The motivation for introducing values and purposes into nature is the realization that science based on materialism cannot give an adequate account of the emergence of life. In accordance with the 'philosophy of organism' we argue that we have to rethink the status of life in nature and to accept that integrated organisms are units emerging for their own sake.

As mentioned earlier, the mechanical paradigm presupposes a dualistic separation of 'nature' and 'life.' The idea of including human nature as an element in nature results in notions expressing that value and freedom can no longer be excluded from the descriptions of nature. According to this reasoning different starting points could exist that are relevant for framing an organic categorical scheme: 'In principle it does not matter which field of study one uses as a starting point since each discipline is a window through which one may view the general structures and categories constituting reality as

such' (Fowler 1976, p.57). The term *life* refers to the enjoyment of things such as freedom, creativity, purpose, and subjectivity, derived from the past and aimed at the future. Thus the characteristics of life are absolute self-enjoyment, creative activity and purpose.

Nothing in nature could be what it is, except as an integrated ingredient in nature as a dynamic whole. According to the philosophy of organism an isolated event is not an event because every part is a factor in a larger whole and is significant to the process of the whole: 'The isolation of an entity in thought, when we think of it as a bare 'it,' has no counterpart in any corresponding isolation in nature. Such isolation is merely part of the procedure of intellectual knowledge' (Whitehead 2000, p.142).

Hence, it seems reasonable to assert that Whitehead's ontology can be compared with Spinoza's 'psycho-physical parallelism' or Leibniz's 'theory of monads' (Woolhouse 1993). Within the organic concept of nature 'life' and 'mind' are interwoven with matter and motion. It is the essence of life that it exists for its own sake, as an intrinsic reaping of value. The point is that we can neither understand the physical nature, nor life, unless we fuse them together as essential factors in the composition of the whole universe.

Referring to Capra's (1982) interpretation of the organic worldview as living systems having a high degree of 'nonlinear' interconnectedness, we conclude that the individual and the community both make each other and require each other at the same time. Thurow points in the same interpretative direction of the organic paradigm when he writes the following:

Societies are not merely statistical aggregations of individuals engaged in voluntary exchange but something much more subtle and complicated. A group or community cannot be understood if the unit of analysis is the individual taken by himself. A society is clearly something greater than the sum of its parts (Daly and Cobb Jr. 1994, p.7).

This indicates that a conversion to the organic worldview has far-reaching consequences for both economic theory and behavior. A more complex and dynamic framework takes into consideration

that economic behavior is both multifaceted and context dependent. For example, it is obvious that contextual factors including collective beliefs in ethical norms and prosocial orientation of the economic behavior contribute to avoiding some of the fallacies of misplaced concreteness in mainstream economics. Whitehead argues that our use of abstractions based on limited worldviews is dangerous, because we tend to forget that they are abstractions. Even worse, we also tend to mistake the abstractions for the concrete actuality. Many of our abstractions try to claim a completeness that they do not possess. Thus we commit a blunder, 'the fallacy of misplaced concreteness' (Whitehead 1967, p.51). These fallacies flourish because economists are socialized to think in abstractions without being aware that they are abstractions. Organic thinking is based on the concept of culture as a collective phenomenon, not as the sum of individuals.

In accordance with this organic perspective, Schumacher argues that problems within economics must be handled as divergent because the precondition of lifeless nature is transcended: 'Without the characteristic human element of self-consciousness, one easily slips back into the one-dimensionality of order without freedom, thus reducing all problems to converging problems' (Opdebeeck 2006, p.6).

Schumacher argues that divergent problems 'are resolved in the most optimal manner by reaching economic practice on the macro-level from the point of departure of economic practice on the micro-level' (Opdebeeck 2006, p.7).

Frugality in the Aristotelian Christian Tradition

As a theoretical concept and in practical conduct, frugality refers to an ideal and a way of attaining high life quality *involving* a low level of consumption (Opdebeeck 2006). Frugality means that individuals practice restraint in both acquiring and using economic goods

and services, in order to achieve lasting and more fulfilling goals. At aggregated level frugality emphasizes a low level of consumption meeting long-term personal, familial, and communal needs. Another intended effect of frugality is that it leads to reduction of waste through changing consumption habits. Different cultural traditions, also in the West, consider frugality a virtue or a spiritual discipline. Today frugality is a central value in Buddhist economics.

We argue that even in the Christian tradition we can find important, inspiring sources of an economy of frugality. The thoughts of Aristotle were in Medieval times interpreted and synthesized by Thomas Aquinas (1225–1274). Thomas was a Christian and a theologian, and as Tranøy (1957) writes, a rare crossbreed of a saint and a scientist.

In the Christian tradition one important notion is that the use of external goods has a *natural limit*. Material wealth is needed to a certain extent but should be used only as an instrument. The highest good, *beatitudo*, is of a spiritual character. The better you come to know the highest good, the more you will love it. On the other hand, external things are like wind or ordinary water. Thomas uses the example of the Lord, who told the woman of Samaria, 'Who-soever drinketh of this water shall thirst again' (John 4.13.). When the appetite for a material good is quenched, the materialist will continue to search for other things. Such appetite is vicious because one ends up as a slave, and not a master of wealth. Thus, it is not wealth in itself that is evil, but the individual's attitudes about wealth (Langholm 1992, p.209).

This view corresponds to Aristotle's recommendation of the golden mean, which in several ways can stand as a model of an economy based on frugality, since it condemns all kinds of excess. 'Evil belongs to the class of unlimited and good to that of the limited' (NE, II.6 1106b27.). Virtue is also a kind of mean as it aims at what is moderate. And good must be something final and self-sufficient. Wealth is evidently not the good we are seeking, for it is merely useful for the sake of something else (NE, I.6 1096 a 1).

Aristotle is sceptical of the viewpoint that an economy should be the purpose of a society. A fear was that the instruments would enshadow the purpose of the good life, *eudamonia*, which consists of an active life developing one's best abilities, thereby becoming a virtuous human being, blossoming within a community. Moral virtue is a state of character. A realization of one's abilities is not possible without the security, economic resources and educational opportunities present in a politically well-organized society. A virtuous life presupposes friendship and family life as well as intellectual activities. In order to realize his/her virtues as a generous and just person, the virtuous person needs a moderate but necessary amount of money.

A closer look at the concept of wealth in relationship to the final purpose may prove worthwhile here. Thomas distinguishes between two types of external wealth: natural and artificial (Aquinas, 2,1). Natural riches consist of the things that humans collect and use because they lack them. This is food and drinks, clothes, houses and means of transportation. The highest good cannot be connected to such things, because they are imperfect, and serve merely as *instrumenta* in man's search for virtue and *beatitudo* (Langholm 1992, p.208). Accordingly, natural riches are not meant to be a purpose, only a means. In particular this reasoning applies to artificial riches such as money, which only satisfies human needs in an indirect manner. As a consequence, the desire for natural richness will not be infinite. But the avidity for artificial richness is infinite because, according to Thomas, it serves the sexual drives, which are not tamed. Thus the inclination that the means gradually become the final purpose is obvious and dangerous (Aquinas, 2, 1).

No abundance of riches is necessary for the exercise of virtue. In fact, too much wealth may hinder the development and cultivation of virtue. But the real danger of having too many riches is that this impedes the love and fear of God. When entrapped by avarice, a man makes riches his God, because God is that in which one places one's end. By placing one's end in an infinite quest for worldly riches, one redirects one's attention from God to wealth.

One important environmental consequence of mainstream economics is that economists generally fail to recognize that the economy is merely one aspect of 'living' ecosystems. The ecosystems are composed of continual interaction between all life forms, including human beings. According to Costanza et al., continuous economic growth is impossible within the Earth's finite and non-growing ecosystems.

[T]he economy cannot grow forever (at least in a material sense)... ultimately some sort of sustainable steady state is desired. This steady-state is not necessarily absolutely stable and unchanging. Like in ecosystems, things in a steady-state economy are changing constantly in both periodic and aperiodic ways (Costanza et al. 1997, p.62).

Frugality is a way to counteract an economy based upon the goal of growth in production and consumption that is neither consistent with sustainability nor life quality. The basic idea of frugality is that life quality depends on more factors than high consumption rates. Life quality depends on the possibilities to develop and realize the potential of human virtues. In other words life quality concerns values not visible within the mechanical worldview.

Consumerism and Frugality – Contradictory Principles in Economics?

Economics is defined as the discipline dealing with production, distribution, consumption, and redistribution of wealth (Ingebrigtsen and Jakobsen, 2006). Hence, it is reasonable to assert that economic models and theories will always be based upon certain values and norms. As we have commented on earlier, mainstream economics is based upon monetary values related to profit and GDP. In contrast, Buddhist economics is based on the notions of 'sustainable development' and 'life quality' (Schumacher 1972, Welford 2006).

The Christian tradition, as represented by Thomas Aquinas, is based upon the natural limitation of external goods and moderation in acquiring and using external commodities.

We argue that the market cannot be reduced to parts in a mechanical system, governed by law and scientific rationality. Instead the market consists of interconnected participants integrated in a living natural-and-cultural system. Economy is like a living organism, 'which means that its order and structure and function is not imposed by the environment but is established by the system itself ...' (Capra 1982, p.269). Hence, a well-functioning market must be based upon values such as confidence and trust among the participants.

Within mainstream economics frugality is easily thought of as utopian and in conflict with the nature of the 'economic man.' In Table 1 we illustrate the connection between worldview and consumption attitudes. The concepts consumerism and frugality lead to different conclusions depending on the context.

We find that growth in production and consumption is translated to the positive concept 'welfare' within a mechanical perspective. Growth in welfare is an important goal in most countries today. If we change the focus to frugality, we find that this concept has connotations for life quality and well-being.

Table 1

	<i>Consumerism</i>	<i>Frugality</i>
<i>Mechanical Worldview</i>	Welfare	Stagnation
<i>Organic Worldview</i>	Excess	Life quality

To comprehend the connection between frugality and life quality, we use the field of positive psychology as a gateway. In positive psychology the attention is focused on attributes and traits that con-

stitute psychological strengths and individual qualities that give life meaning and purpose, not on pathologies and deficits (Seligman and Csikszentmihalyi 2000). Positive psychology, in accordance with the philosophy of organism, is based upon the worldview that living systems are self-organizing and oriented towards increasing differentiation and complexity. Life quality cannot be attained as a state of being. In accordance with the philosophy of organism, positive psychologists argue that life quality is a process of becoming.

[A] good life cannot be attained as a permanent state, ... [it] is a continuous development of the individual's strengths and values. A good life is therefore, a life in continuous development or growth. ... At their best, individuals, furthermore, act both in concert with their own premises and capacities and in concert with the surroundings (Jørgensen og Nafstad 2005, pp.890–891).

Positive psychology argues on the one hand, in the same way as Aristotle and in opposition to the pragmatics, that there are some common, preprogrammed dispositions in human nature. On the other hand positive psychology accepts the idea that human nature is also a product of history and cultural environment. In this perspective life quality is closely connected to the person's search for

increasingly complex challenges in associated activities and will improve his or her skill accordingly. This process has been defined as cultivation; it fosters the growth of complexity not only in the performance of the flow activities but in the individual behaviour as a whole (Massimini and Delle Fave 2000, p.27).

Nafstad (2005) argues that the strong interest in positive psychology is connected to the societal and ecological challenges of today. It is important that the shift in perspective leads to an increased interest in the ontology of human beings, nature and culture.

Realizing the necessity of giving priority to sustainability and life quality, it is obvious that, from an organic point of view, frugality constitutes an essential value. One important question to be discussed is how to handle frugality within the context of integrated dynamic wholes. Taking into consideration that individual humans

perform actions, it is more convenient to discuss frugality from an individual point of view. At the same time the cultural element is essential in constituting the subjective values and truths.

Modern marketing is based upon the idea that the goal is to stimulate consumption by putting forward new varieties of scarcities that are to be 'tackled with as much utility maximization as possible' (Opdebeek, 2006, p. 1). Consumption is not a bad thing; we have to consume to survive and the world's poorest people have to consume more to improve both welfare and well-being. But whenever increasing consumption becomes an end in itself, it threatens not only natural and social environments and the life quality of future generations, it presents a serious problem for individual consumers here and now, as well.

If the levels of consumption in the rich countries were adopted on a global scale, 'the impact on our water supply, air quality, forests, climate, biological diversity, and human health would be severe' (Gardner, Assadourian, and Sarin, 2004, p. 3). Attempts to try to solve environmental, individual and social problems within the existing mechanical worldview seem very problematic.

References

- Aquinas, Thomas (ca 1271) *Summa Theologiae I-II*, 2, 1, ad [and] 3.
- Capra, Fritjof (1982): *The Turning Point – Science, Society and the Rising Culture*. London: Flamingo.
- Capra, Fritjof (1997): *The Web of Life – A New Synthesis of Mind and Matter*. London: Flemming.
- Costanza, Robert, John Cumberland, Herman Daly, Robert Goodland, and Richard Norgaard (1997): *An Introduction to Ecological Economics*. Boca Raton: St. Lucie Press.

- Daly, Herman and John B. Cobb Jr. (1994): *For the Common Good – Redirecting the Economy toward Community, the Environment, and a Sustainable Future*. Boston: Beacon Press.
- Derfer, (2005) in Xie, Wang and Derfer (2005): *Whitehead and China – Relevance and Relationships*. Frankfurt: Ontos Verlag.
- Fowler, Dean R. (1976): Alfred North Whitehead. *Zygon*, Vol. 11, No. 1, (March), pp.50–68.
- Friedman, Milton (1963): *Capitalism and Freedom*. Chicago: University of Chicago Press.
- Gardner, Gary, Erik Assadourian, and Radhika Sarin (2004): 'The State of Consumption Today,' in: *State of the World 2004*. The World Watch Institute.
- Georgescu-Roegen, Nicholas (1971): *The Entropy Law and the Economic Process*. Cambridge: Harvard University Press.
- Ingebrigtsen, Stig and Ove Jakobsen (2006): 'Circulation Economics – A Turn towards Sustainability,' *International Journal of Social Economics*. Vol. 33, No. 8 (pp. 580-593)
- Jørgensen, Ingvild, S. and Hilde Eileen Nafstad (2005): 'Positive Psychology: Historical, Philosophical, and Epistemological Perspectives.' *Tidsskrift for Norsk Psykologforening*, 42, pp.885–896
- Langholm, Odd (1992): *Economics in the Medieval Schools: Wealth, Exchange, Value, Money and Usury According to the Paris Theological Tradition, 1200–1350*. Köln: E.J. Brill.
- Opdebeeck, Hendrik (2006): *The Urgency of a Frugality Based Economic Paradigm – The Legacy and Spirituality of E.F. Schumacher (1911–1977)*. Paper presented at the International Workshop 'Spirituality and the Economics of Frugality' the Centre for Ethics, University of Antwerp, April 20–21, 2006.
- Pearce, Joseph (2001): *Small is Still Beautiful*. London: Harper Collins Publishers.

- Russell, Bertrand (1979): *A History of Western Philosophy*. London: Unwin Paperbacks.
- Schumacher, Ernst Friedrich (1973): *Small Is Beautiful: A Study of Economics As If People Mattered*. London: Blond & Briggs Ltd.
- Seligman, Martin E.P., Mihaly Csikszentmihalyi (2000): 'Positive psychology – An Introduction.' *American Psychologist*, Vol. 55, No. 1, pp.5–14.
- Tranøy, Knut Erik (1957): *Thomas av Aquino som moralfilosof*. Oslo: Universitetsforlaget.
- Welford, Richard (2006): 'Tackling Greed and Achieving Sustainable Development,' in: Zsolnai, L and K. Johannessen Ims (eds): *Business Within Limits: Deep Ecology and Buddhist Economics*. Oxford: Peter Lang.
- Whitehead, Alfred North (1967): *Science and the Modern World*. New York: The Free Press.
- . (2000): *Concept of Nature*. New York: Cambridge University Press.
- Woolhouse, Roger S. (1993): *The Concept of Substance in Seventeenth Century Metaphysics*. London: Routledge.
- Xie, Wenyu, Wang, Derfer Zhihe, and E. George (2005): *Whitehead and China – Relevance and Relationships*. Frankfurt: Ontos Verlag.
- Zapffe, Peter Wessel (1996): *Om det tragiske*. Oslo: Pax Forlag (first published in 1941).